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25 January 1960

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Copy No. 93

# CENTRAL INTELLIGENCE BULLETIN



DOCUMENT NO. 20  
NO CHANGE IN CLASS. ☒  
DECLASSIFIED  
CLASS. CHANGED TO: TS S B  
NEXT REVIEW DATE: 2010  
AUTH: HR 70-2  
DATE: 6 JUN 1980 REVIEWER: ☐

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State Dept. review completed

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Next 1 Page(s) In Document Exempt

25 January 1960

## DAILY BRIEF

USSR - East Europe: [Khrushchev told the West German ambassador on 18 January that the announcement of a one-third reduction in the Soviet armed forces would be followed by reductions of Soviet troops in Poland, Hungary, and East Germany. He added that the USSR was prepared to withdraw all its forces if the West accepted his proposal for complete disarmament-- which he undoubtedly realizes would be unacceptable. When the ambassador inquired about the effect of a withdrawal on the East German regime, Khrushchev said that withdrawal would not take place for several years, and that material conditions there would improve in the meantime. The USSR could in fact carry out substantial troop reductions in Eastern Europe without jeopardizing the security of the regimes. Khrushchev probably believes these tactics would reinforce his hand at the summit, particularly in pressing for reduction of Western forces in both Germany and Berlin.] [redacted] (Page 2)

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OK  
Soviet 1959 Economic Results: Tentative appraisal of the 1959 Soviet economic results released by the Central Statistical Office on 21 January indicates that industrial growth continued at a high rate. Raw material shortages responsible for the abandonment of the Sixth Five-Year Plan in 1957 seem to have been largely overcome, and output of some key industrial products increased significantly. However, other difficulties, basically related to production of enough of the right kind of plant equipment, continue. The grain harvest is reported to be 125,000,000 tons, only about 11 percent below the harvest of 1958--the best crop year in Soviet history. This reported crop of 125,000,000 tons appears inconsistent with an indicated 5-percent reduction in grain acreage and the reported widespread drought in many major grain-growing areas in 1959. It is possible that the definition of "grain harvested" has been changed, since it is unlikely that the harvest of usable grain was much over 100,000,000 tons. [redacted]

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## II. ASIA-AFRICA

India - Communist China - USSR: Prime Minister Nehru has been urged [redacted]

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 [redacted] to moderate his stand on the border issue and work toward a settlement with Communist China as soon as possible. [redacted] pointing out the probability of a long struggle against Chinese expansionism, urged Nehru not to make too much of the immediate issue and to start talks quickly. [redacted]

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[redacted] the USSR cannot do much more to influence China, and that Khrushchev had advised India not to make it too difficult for Peiping to come to an agreement. While Nehru may moderate his public statements as a result of this advice, he is unlikely to agree to discussions with the Chinese as long as they refuse to accept the McMahon line as the basis for negotiation. [redacted]

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African People's Conference: Underlying friction between relatively moderate and more radical groups within the African nationalist movement appears likely to be brought into sharp

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focus at the second plenary meeting of the nongovernmental All-African People's Conference scheduled to convene this week in Tunis. This friction, exemplified by the split between Kenya's Mboya and Ghana's increasingly militant Nkrumah, could lead to the splintering of the AAPC--the organization fathered by Nkrumah in December 1958 to promote African independence and unity. [REDACTED]

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### III. THE WEST

OK Cuba-Venezuela: [REDACTED] Venezuelan President Betancourt is [REDACTED] to have spoken harshly to the Cuban delegation which went to Caracas to invite Venezuela to attend Castro's Bandung-type conference later this year. Betancourt expressed his growing lack of confidence in Fidel Castro and added that Cuba was beginning to resemble the Dominican Republic. Betancourt does not favor sending a delegation to the conference unless all other Latin American nations also attend. Should Cuba fail to gain sufficient support for the conference from other governments, Castro will probably call for a similar conference to be attended by leading politicians of the underdeveloped nations. [REDACTED]

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OK Guatemala: [REDACTED] Demonstrations which began on 20 January over a minor labor dispute have grown into a serious attempt to discredit the Ydigoras regime by leftist-led political, labor, and student groups. The Communists are attempting to exploit and direct the unrest, while the strong, moderately leftist and anti-Communist Revolutionary party is split over whether to back the demonstrations. President Ydigoras has expressed determination to quell the agitation. [REDACTED]

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## LATE ITEMS

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[REDACTED]

\*Algeria-France: [The demonstrations by European settlers in Algiers on 23 January, which led to armed clashes with security forces on 24 January, reportedly were envisaged by at least one anti-republican organization as the first step in a plan to overthrow the De Gaulle regime with the aid of paratroopers based in Algeria and southern France. Prior to the clashes, some elements of the French army in Algeria were reported as hoping that settler reaction against De Gaulle's policies would be so strong and violent that top army commanders would feel obliged to back the settlers and assume leadership of the revolt. However, active military support for the settler extremists seems to have been discouraged by the prompt and energetic countermeasures taken by Delegate General Delouvrier and General Challe, as well as by the failure of overt support for the demonstrators to develop immediately in France. Although the press in France has condemned the Algiers riots and supported De Gaulle's assertion of authority, the extent of the French government's concern is indicated by the ban it has imposed on all public gatherings in France.]

[REDACTED]

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[Khrushchev told the West German ambassador to Moscow on 18 January that the recent decision to reduce Soviet forces by one third would be followed by reductions of Soviet troops in Poland, Hungary, and East Germany. He added that the USSR was prepared to withdraw all forces if the West accepted his proposal for complete disarmament. When the ambassador inquired about the effect of a withdrawal on the East German regime, Khrushchev said this would not take place for several years, and that material conditions there would improve sufficiently to permit an eventual complete withdrawal. The USSR currently has 325,000 troops in East Germany, 55,000 in Hungary, and 35,000 in Poland, and a substantial portion of these could be withdrawn without jeopardizing the regimes' security.]

[The Soviet premier apparently feels that an announcement of cuts in Soviet forces in these countries and a conditional offer to withdraw will strengthen his hand in the summit negotiations, particularly in pressing the West for reciprocal reductions in Western forces in Germany and Berlin. In his speech in Budapest on 1 December, he dwelled at length on the contradictions between Western professions of support for disarmament and their desire to retain forces in West Berlin.]

[In his talk with the German ambassador, as well as in an unofficial memorandum to the West German Social Democratic party leaders, Khrushchev reaffirmed his position on Berlin and Germany and repeated his public threat to conclude a separate peace treaty. The memorandum, from "responsible Soviet circles," was delivered by Ambassador Smirnov and was probably intended to bring pressure on the Socialists to take a stronger stand in challenging recent statements by Adenauer and Berlin Mayor Brandt to the effect that the Western proposal at the Geneva foreign ministers' conference for an interim Berlin solution should not be the West's starting point at the summit.]

[Soviet expectations of a protracted period of negotiation on Germany and Berlin, evident in Khrushchev's recent statements, were also reflected in information-- [REDACTED]

[REDACTED] --that Khrushchev and Ulbricht have evolved a long-range strategy for gaining Western concessions. The Communist leaders feel that they can afford to be patient, believing that it is only a matter of time until the Western powers become "tired" and make concessions.] [REDACTED]

[REDACTED]

[REDACTED]



### USSR Releases 1959 Economic Statistics

The value of Soviet gross industrial production increased 11 percent in 1959, according to official statistics released in Moscow on 21 January. This compares with 10-percent increases reported for the last two years. Production of producers goods was reported up 12 percent and consumer goods 10.3 percent, as compared with 11 and 7 percent, respectively, reported for 1958. Tentative appraisal of production results indicates that industrial growth continued at a high rate.

Raw material shortages responsible for the abandonment of the Sixth Five-Year Plan in 1957 seem to be largely overcome. The production of natural gas was the only "leading link" to fall short of its target, thus reflecting continuing pipe shortages.

The reported increase of 7.4 percent in industrial labor productivity reverses the recent trend toward a diminishing rate of increase.

1958  
Total capital investment rose 12 percent to a total of 275 billion rubles. The plan for capital construction for housing was fulfilled, with 80,000,000 square meters of urban living space and 850,000 rural homes completed. These additions to housing, the availability of food based in part on the carryover from the record ~~1959~~ harvest, and the increasing availability of manufactured consumer goods indicate that 1959 was a good year for the consumer.

Production of machinery and equipment showed sharp differences in rates of growth in response to changing priorities. The largest gain was registered by chemical equipment, which increased 55 percent, three times the annual rate required for fulfillment of the Seven-Year Plan. The fact that this item and generators were reported underfulfilled--despite the large production increases--suggests that present planning is for goals to be met in less than seven years.

Substantial decreases in production of agricultural machinery reflect extensive model changes and planned cutbacks for some items. Extensive re-equipping of two truck plants and a change

Soviet Production of Selected Items

| <u>Item</u>  | <u>1958</u>        | <u>1959</u>        | <u>% Change</u> |
|--|--------------------|--------------------|-----------------|
| Pig Iron (million metric tons)   | 39.6               | 43                 | +9              |
| Crude Steel " " "  | 54.9               | 59.9               | +9              |
| Rolled Steel " " "   | 42.9               | 47                 | +9              |
| Coal " " "   | 496                | 506.5              | +2              |
| Petroleum " " "  | 113                | 129.5              | +14             |
| Electric Power (billion KWH)   | 233                | 264                | +12             |
| Natural Gas (billion cubic meters)                                       | 29.8               | 37.2               | +25             |
| Freight Cars (thousand units)  | 40.3               | 38.6               | -4              |
| Tractors " "   | 220                | 213.5              | -3              |
| Refrigerators " "  | 360                | 426                | +18             |
| Washing Machines " "   | 538                | 724                | +34             |
| Industrial Output (Percentage change<br>over preceding year)             | <u>1958</u><br>+10 | <u>1959</u><br>+11 |                 |
| Industrial Labor Productivity (Percentage change<br>over preceding year) | +6                 | +7.4               |                 |

in the basic truck model at a third plant contributed to the 5-percent decrease in production of trucks and buses. This decrease may also reflect an anticipated transfer of trucks from the military to the civilian economy as ground forces are reduced.

The large number of decreases and moderate increases in machinery and equipment suggest some reallocation of resources to the production of equipment for the chemical and other raw material processing industries. Except for motor vehicles, rates of growth for machinery and equipment items appear to be sufficient to ensure fulfillment of the Seven-Year Plan.

In agriculture, the reported figure of 125,000,000 tons of grain harvested is only about 11 percent below the harvest of 1958--the best crop year in Soviet history. This is inconsistent with an indicated 5-percent reduction in grain acreage and the reported widespread drought in many major grain areas in 1959, and it is unlikely that the harvest of usable grain was much over 100,000,000 tons.

In 1958 Khrushchev admitted past deceptions in grain statistics and berated Malenkov for attempting to pass off the "biological yield" for the "barn harvest." However, in spite of Khrushchev's stand on this point, which he reaffirmed at the central committee meeting on agriculture last month, some change in the definition of "grain harvested" appears possible.

Detailed Central Statistical Office data for nationwide agriculture in 1959 is not yet available, nor was such data reported publicly at the December central committee meeting. [REDACTED]

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## II. ASIA-AFRICA

Sino-Indian Relations

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Prime Minister Nehru

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-to moderate his stand on the Sino-Indian border issue and to work toward a settlement as soon as possible.]

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[ ] sees the border threat as part of a long-term struggle India will have to wage against Chinese expansionism in Asia. He feels, however, that it would be unwise for India to make too much of the immediate tactical issue and thereby divert its attention from the major strategic problem ahead. He has recommended talks with Peiping as soon as they can be arranged.]

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[ ] the USSR has tried to influence the Chinese and cannot do much more than it has already done. [ ] the Chinese are too sensitive to world opinion to indicate immediately that they have "submitted" to Soviet advice, and that India should not make it too hard for them to come to an agreement. [ ]

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[ ] everything be done to end the border conflict.]

[Although Nehru may moderate his public statements as a result of this advice, he is unlikely to take action in the near future significantly to alter his present, firm stand on the border--that the McMahon line must be the basis for negotiation. Strong conservative elements in his cabinet and government, as well as the press and public, would be quick to point out the fallacy of encouraging Chinese expansionism over the long run by readily ceding Indian-claimed territory to China to settle the current conflict.]

[Nehru presumably is also aware that legitimization of Chinese "aggression" in Ladakh would weaken his stand against Pakistani "aggression" in western Kashmir. Pakistan has already publicly stated]

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[that it cannot recognize any Indian concession to China as long as the status of Kashmir is in dispute before the United Nations. In any case, Nehru is unlikely to take firm steps until he sees the results of prospective Sino-Burmese border talks and has a chance to converse with Khrushchev in February.]

[Nehru has been and probably still is opposed to personal talks with Chou En-lai until there is evidence that such talks would be successful in reaching a settlement. He is not averse to working-level conversations, however, and may urge his ambassadors to attempt to place pressure on Peiping to bring such talks about.]

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The second plenary meeting of the nongovernmental All-African People's Conference (AAPC), which convenes in Tunis from 25 to 29 January, may intensify significantly underlying friction between relatively moderate and more radical groups within the African nationalist movement. Exemplified by the personal split which has developed between Kenya's Tom Mboya and Ghana's increasingly militant Nkrumah since the organization's inaugural meeting in Accra in December 1958, this friction could lead to a schism which would further impair the already limited effectiveness of the AAPC--the major organization for expression of African nationalism.

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The gathering's Tunisian organizers expect [about 125] delegates, representing virtually all major African nationalist organizations. Already concerned about keeping the meeting on an essentially moderate course, they claim to have eliminated "some more Communist organizations" from the invitation list prepared by the AAPC's Communist-oriented secretary general, Abdoulaye Diallo of Guinea. Nevertheless, the radicals, spearheaded by strong and aggressive delegations from Ghana, Guinea, and Morocco, may succeed in dominating the proceedings, especially if moderate African leaders from French Community states and other areas fail to attend and if Mboya is unable to be present because of the London conference on Kenya's constitution.

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A number of observers from Sino-Soviet bloc countries are expected to be on hand and to lobby, as did their counterparts at the 1958 meeting, for extreme resolutions. [Nasir's representatives, on the other hand, are reported planning to play a less aggressive role than they did at Accra]

Public presentations by the conferees and final resolutions probably will emphasize commonly held general positions on African independence, solidarity, and economic and social development. They will certainly single out the impending French nuclear tests in the Sahara for particularly violent condemnation. Behind the scenes, however, serious discord may develop over such specific issues as the attitude to be adopted toward the French-sponsored Ahidjo regime in newly independent Cameroun, the French Community, and the continued adherence of many African labor leaders--including Mboya--to the Western-oriented International Confederation of Free Trade Unions.

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## III. THE WEST

Venezuelan-Cuban Relations

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[An apparent deterioration in Venezuelan-Cuban relations could further reduce Fidel Castro's prestige in the hemisphere and even tend to isolate him with other dictatorships in the area which he has been seeking to overthrow. Venezuelan President Betancourt reportedly spoke harshly to a Cuban delegation which was in Caracas to invite Venezuela to attend Castro's conference of underdeveloped nations scheduled for Havana later this year. Betancourt told the delegation that Cuba was beginning to resemble the Dominican Republic, and he expressed lack of confidence in the Cuban leader. Leftist groups and the Communist-influenced press in Venezuela have thus far provided Castro with valuable propaganda support.]

[Betancourt, who sent a high-level personal emissary to Havana this month to try to influence the Cuban regime toward moderation, has stated his concern over Castro's authoritarian policies on previous occasions.]

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[saying that Castro is "crazy." Last November, moreover, Betancourt personally blocked an intended visit to Caracas by Raul Castro and "Che" Guevara, Castro's top lieutenants, and forced the recall of the Cuban ambassador as an aftermath to the affair.]

[Public knowledge of official Venezuelan coolness toward Castro would be a blow to Communists, leftists, and extreme nationalist groups in Latin America who have lumped together the two revolutionary regimes as a symbol of anti-imperialism in order to promote anti-US sentiment and other objectives.]

[Betancourt is reported under increasing pressure from his majority Democratic Action party to force the hand and possibly oust from his three-party coalition the Democratic Republican Union party (URD)--a staunch supporter of Castro and a dissatisfied component of the coalition. He might use the issue of Cuban relations to force a showdown with the URD.]

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### Leftist Demonstrations in Guatemala

The antigovernment demonstrations that began in Guatemala City on 20 January have grown from a minor labor dispute among the employees of the government's social security institute into serious leftist attempts to discredit the Ydigoras administration. Leftist-led political, labor, and student groups, each with individual grievances against the regime, have joined in sympathy strikes and demonstrations. Extreme leftist splinter parties are encouraging the agitation, which the Communists are attempting to aggravate and direct. [REDACTED]

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[REDACTED] discontent among the people is sufficient to cause the government's fall, and that they hope to influence the composition of the succeeding regime.

Leaders of the strong, moderately leftist, but anti-Communist Revolutionary party (PR), still smarting from the defeat they suffered in the fraud-ridden congressional elections of 6 December, are split over whether it is to their party's best interest to join the demonstrations. The PR did issue a general strike call on 21 January, but the PR mayor of Guatemala City ordered city employees to remain on the job.

President Ydigoras has expressed determination to quell the agitation, but he has ordered the police and the army to move carefully to avoid creating martyrs. Troops used tear gas to disperse demonstrators on 20 January, and army reinforcements have arrived in the capital. The armed forces can be expected to back up the President in his present efforts to maintain his authority. [REDACTED]

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